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TAGS: EFIN PREL KU
SUBJECT: KUWAIT HOSTS WORLD ISLAMIC FINANCE AND INVESTMENT CONFERENCE

¶1. (U) Summary: On March 4-5, ADEEM Investment Co., Investment Dar, and a number of leading Islamic investment and finance companies from throughout the Gulf hosted "The First Annual World Islamic Finance & Investment Conference" in Kuwait City. The two-day event included panels on two key areas: 1) Capitalizing on Emerging International and Regional Growth Opportunities; and 2) Capturing New Growth Markets for Islamic Banking, Investment and Leasing Products. Emboffs attended several sessions of the conference along with key officials from a number of Kuwaiti Islamic investment firms and institutions. The keynote address was delivered by Kuwait Central Bank Governor Al-Sabah. End summary.

CBK Governor: Kuwaiti Market Is Saturated

¶2. (U) On March 4, Kuwait Central Bank Governor Shaykh Salim Abdulaziz Al-Sabah opened "The First Annual World Islamic Finance & Investment Conference." While lauding the rapid growth of Islamic financing worldwide, he cautioned that the Kuwaiti market is nearing saturation with 31 Islamic financial institutions, 2 Islamic banks, and another Islamic bank on the way. Kuwait's Islamic finance sector currently holds more than 26 percent of the Kuwaiti financial market share. To thwart saturation, as well as sustain growth and increase product diversity, Shaykh Sabah encouraged mergers of larger Islamic institutions. He also noted that with Kuwait's ratification of Law No. 30/2003 the Central Bank of Kuwait gained additional authority to supervise Islamic banking in Kuwait and ensure greater compliance with international standards.

¶3. (U) In the more than 30 years since Islamic banking first appeared, Adnan Al-Musallam, Chairman of Investment Dar, said there are now more than 300 Islamic institutions in 75 countries throughout the Middle East, South Asia, and Europe, with many in UK. The total capital of Kuwait Islamic institutions is USD 15 billion, with assets of USD 44 billion and managed assets of USD 61 billion. He noted that sukuk (or Islamic bonds) are one of the most financially attractive products in the Islamic finance industry.

Dual Burden for an Industry in Flux

¶4. (SBU) Speakers at the two-day event noted that the Islamic finance industry carries a dual burden. Islamic financial institutions must comply not only with shari'a (or Islamic jurisprudence) but also with a myriad of domestic and international regulations. At the same time, the Islamic finance industry is only 30-35 years old and is still maturing. Several speakers noted that Islamic finance is by its nature inherently in flux. Fatwas (Islamic rulings) governing the precepts of Islamic finance are ever evolving depending on time, place, and political, economic, and social factors. Most speakers agreed that this evolution is a strength as it allows for greater flexibility for Islamic finance institutions versus a static codification of regulations.

Outlook: Increasing Muslim Population Equals Continued Growth

¶15. (U) Speakers believed that the Islamic finance industry could attain substantial growth in the next five years and beyond. They noted that the predicted growth rate for the industry is between 20-24 percent per annum. This is in tandem with a global Muslim population that is also increasing substantially every year. Participants noted a growing tendency toward the internationalization of Islamic financing to include a proliferation of Islamic products offered by Western financial institutions such as HSBC-Amana, Citibank Islamic Investment, Deutsche Bank, Credit Suisse, British Islamic Bank, and European Islamic Investment Bank. The value of Islamic funds jumped from USD 800 million in 1996 to USD 16 billion in 2005, providing greater opportunities for financially significant investments, speakers claimed.

Potential Impediments

¶16. (U) Several speakers noted potential obstacles to the growth of Islamic finance: Islamic regulations and laws are time consuming; Islamic scholars need to be educated about the finance industry in order to issue suitable fatwas; and there is no uniform, agreed-upon method of accounting worldwide, such as the standards of the Accounting & Audit Organization for Islamic Financial Institutions (AAOIFI).

Comment

¶17. (SBU) Although the content of the conference was perhaps a little basic for many familiar with Islamic financing, the event provided a good overview of performance of Islamic finance to date

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and possible implications for long-term growth.

List of Speakers and Sponsors

¶18. (U) The following is a partial list of individuals who spoke at the conference:

- H.E. Shaykh Salim Abdulaziz Al-Sabah, Governor, Central Bank of Kuwait (keynote speaker)
- Dr. Ali A. Al-Shamali, Chairman and CEO, Al-Madina for Finance and Investment Co.
- Adnan A. Al-Musallam, Chairman and Managing Director, Investment Dar
- Dr. Mohammad Nedal AlChaar, Secretary General, AAOIFI
- Dr. Ali Abdulaziz Soliman, CEO & GM, Islamic Corporation for the Development of the Private Sector
- Adil Ahmad, General Manager, Kuwait Real Estate Bank
- Sameer Abdi, Executive Manger, Ernst & Young, Bahrain
- Walid Ali Rateb, Manager, International Leasing & Investment Co.
- Haithem Abdou, Senior Manger, International Turnkey Systems
- Abdul Rahman Mohammed Al-Baker, Central Bank of Bahrain
- Neil D. Miller, Partner, Global Head of Islamic Finance, Norton Rose - London
- Shaikh Nizam Yaquby, shari'a Advisor from Bahrain, member of AAOIFI
- Dr. Imran Usmani, shari'a Advisor, Meezan Bank, Pakistan
- Harris Irfan, Director, Deutsche Bank, Dubai
- Dr. Jamil Abdul-Karim Jaroudi, CEO, Sokouk Exchange Center, Bahrain
- Paul McNamara, Managing Editor & Associate Publisher, CPI Financial

Sponsors included:

- Adeem Investment Company of Kuwait
- Investment Dar
- Ernst & Young
- Kuwait Real Estate Bank

- Rasameel Structured Finance Company (Kuwait)
- Tadawul (Saudi Arabia) Stock Market
- Al Dar Asset Management Co. (Kuwait)
- International Turnkey Systems
- Jersey Finance (UK)
- Path Solutions (Kuwait)

19. (U) For a complete listing of all media and strategic sponsors,
see the conference website at www.megaevents.net/wific

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